

Examiners Report

Exam Name and Code: Business Planning: Tax - BP:T A/2025

Date of exam – 14 July 2025

Paper performance overview.

What worked well with candidates and areas that they were weak on, how they responded.

There was a wide range in the quality of answers. Many showed a good grasp of the technical issues and set out their answers clearly using a good professional style. These scripts achieved comfortable pass marks

The weaker scripts were poorly set out with a lack of structure. Most BPT questions have a number of different discrete issues that need to be addressed. It will always help a candidate to break their answer down and cover each issue in a separate (clearly headed) section.

Candidates need to read the question and think of the practical context. If a question states that a foreign permanent establishment will be incorporated with some of the shares being sold to local management, the result will be non UK residents owning shares in a non UK resident company. Answers discussing the merits of employee share schemes in this context will not score any marks.

Question 1 performance

The syllabus areas covered were: 1a, 1b, 1e, 1f, 1g, 1h, 1i, 1j, 1k, 1l, 1m, 2a, 2b, 2c, 2e, 2f, 3a, 3b, 3c

The question involved a large group of companies in different countries. This was a wide-ranging question covering the following topics

- Intra-group transactions at a non-market value price requiring discussion and calculation of transfer pricing adjustments.
- A foreign permanent establishment was incorporated with subsequent disposals of assets and shares.
- There was a convoluted proposal to benefit from lower tax rates in another country which fell foul of the diverted profits tax.
- A new business opportunity overseas required a fairly standard comparison of trading through a foreign subsidiary compared to a foreign branch,
- A proposal to place all the group debt in a UK group member potentially fell foul of the corporate interest restriction
- The ethical issue covered the responsibilities of the senior accounting officer of a large

company / group

Better candidates broke their answers clearly down into each of the above topics. Weaker scripts lacked structure and just rambled from one issue to another.

Weaker candidates wanted to rely on copying text out from their open books. It is vital that students identify the tax rules that are relevant to the scenario given and only include rules that actually answer the question.

Candidates must be aware of the difference between sole traders and companies. Suggestions that a loss of a foreign branch can be carried back 3 years as it is in the first 4 years of trade are a classic example of this confusion

Question 2 performance

The syllabus areas covered were 1a, 1c, 1g, 1n, 1p, 1q, 2a

This question involved a small family company owned and run by two brothers. One of the brothers had decided to sell his shares to the other brother at a significant undervalue. As well as trading, the company owned a property that was rented out. The main issues that should have been considered on the sale of the shares were:

- CGT – particularly the availability of gift relief and business asset disposal relief (BADR). The impact of the rented property on the reliefs was a large mark earning opportunity
- IHT – consideration of business property relief and again the impact of the rented property on the relief
- Stamp duty

The question then asked about options for a building owned by the retiring brother and finished with a largely unconnected query about pensions.

Weaker candidates seemed to particularly struggle with this question. The impact of the rented property on the three reliefs was often simply ignored. With the options for the building, the key point was that an immediate sale allowed a claim for BADR as an associated disposal whereas delaying sale made the relief unavailable. Only a minority of candidates spotted this. There were plenty of other marks available for more basic points. Again, the weaker candidates did not take advantage of this.

Overall the coverage of pensions was reasonably good.

Question 3 performance

The syllabus areas covered were 1m, 1o, 1p, 2a

The question involved a small company with a variety of different tax issues.

They had found potential investors who were keen to invest in a tax efficient way. Candidates should have spotted that Seed EIS was not possible because of the length of time it had already been trading. An explanation of tax reliefs available under EIS offered easy marks for the better candidates. Those relying on their open books did not spot that EIS was relevant and therefore scored poorly.

The second part of the question asked for advice on financially motivating a new employee. Most candidates correctly addressed the possibility of share option schemes and concluded that an EMI scheme would be most appropriate. Very few candidates considered the simpler approach of a bonus scheme or phantom share scheme thereby throwing away easy marks.

In part 3 the company bought a property which would be partly used for their trade and partly rented out. Most candidates dealt with the VAT recovery issues though weaker candidates did not consider the potential advantage of opting the tax. Easy marks were missed by not addressing SDLT, the treatment of interest on the loan to buy the property and the availability of structures and buildings allowance

The final element asked for advice on whether a car should be bought personally or through the company. Weaker candidates did not cover this at all, though this may be down to poor time allocation.

Summary and helpful hints

Candidates should be aware that BP:T is primarily a written exam with a few calculations to back up the narrative points. Some candidates wasted time with extensive calculations that were not required to answer the questions. They then lost easy marks later through lack of time.

It appeared that some students had been misled by the open book nature of this exam. Tax advice for clients involves applying tax rules to practical scenarios. If the rules are not properly known and understood candidates cannot apply them to the scenarios set out in the questions. Some candidates copied out large chunks of notes that were simply not relevant to the question set.

When a question asks for “tax implications” this will almost always mean considering more than one tax. Before starting to produce their answer, candidates should ensure they are answering the full breadth of the question.

